

Burma and Transnational Crime

Liana Sun Wyler
Analyst in International Crime and Narcotics

January 21, 2010

Congressional Research Service
7-5700
www.crs.gov
RL34225

CRS Report for Congress
Prepared for Members and Committees of Congress

Summary

Transnational organized crime groups in Burma (Myanmar) operate a multi-billion dollar criminal industry that stretches across Southeast Asia. Trafficked drugs, humans, wildlife, gems, timber, and other contraband flow through Burma, supporting the illicit demands of the region and beyond. Widespread collusion between traffickers and Burma's ruling military junta, the State Peace and Development Council (SPDC), allows organized crime groups to function with impunity. Transnational crime in Burma bears upon U.S. interests as it threatens regional security in Southeast Asia and bolsters a regime that fosters a culture of corruption and disrespect for the rule of law and human rights.

Congress has been active in U.S. policy toward Burma for a variety of reasons, including combating Burma's transnational crime situation. At times, it has imposed sanctions on Burmese imports, suspended foreign assistance and loans, and ensured that U.S. funds remain out of the regime's reach. The 110th Congress passed P.L. 110-286, the Tom Lantos Block Burmese JADE Act of 2008 (signed by the President on July 29, 2008), which imposes further sanctions on SPDC officials and prohibits the indirect importation of Burmese gems, among other actions. On the same day, the President directed the U.S. Department of Treasury to impose financial sanctions against 10 Burmese companies, including companies involved in the gem-mining industry, pursuant to Executive Order 13464 of April 30, 2008.

The second session of the 111th Congress may choose to conduct oversight of U.S. policy toward Burma, including the country's role in criminal activity. Secretary of State Hillary Clinton announced in February 2009 the beginning of a review of U.S.-Burma relations. In September 2009, the conclusions of this policy review were released, noting in particular the beginning of direct dialogue with Burmese authorities on international crime-related issues, including compliance with U.N. arms sanctions and counternarcotics. Already in the first session of the 111th Congress, both the Senate and the House have held hearings in which crime issues related to Burma have been addressed.

This report analyzes the primary actors driving transnational crime in Burma, the forms of transnational crime occurring, and current U.S. policy in combating these crimes. This report will be updated as events warrant. For further analysis of U.S. policy to Burma, see CRS Report RL33479, *Burma-U.S. Relations*, by Larry A. Niksch.

Contents

Scope of the Problem 1
Primary Actors and Motives 2
Organized Crime, Ethnic Gangs, and Insurgent Groups 2
Official Corruption 2
Regional Demand 4
Peasants and Urban Poor 4
Illicit Economies in Burma 5
Drugs 5
Heroin and Opium 6
Methamphetamine and Synthetic Drugs 8
Trafficking in Persons and Child Soldiers 9
Natural Resources 10
Timber and Wildlife 10
Gems 10
Other Contraband 11
Money Laundering 11
U.S. Policy 12
Sanctions and Special Measures 12
Regional Border Control Assistance 13
A New Approach? 14

Figures

Figure 1. Opium Poppy Cultivation in Burma's Shan State, 2003-2009 8
Figure 2. Map of Burma 15

Tables

Table 1. Opium Cultivation, Production, and Price Trends in Burma, 1997-2009 7

Contacts

Author Contact Information 16

Scope of the Problem

Transnational organized crime groups flourish in Burma, trafficking contraband that includes drugs, humans, guns, wildlife, gems, and timber. Transnational crime is highly profitable, reportedly generating roughly several billion dollars each year. The country's extra-legal economy, both black market and illicit border trade, is reportedly so large that an accurate assessment of the size and structure of the country's economy is unavailable. Contraband trafficking also remains a low-risk enterprise, as corruption among officials in Burma's ruling military junta, the State Peace and Development Council (SPDC), appears to facilitate trafficking and effectively provide the criminal underground immunity from law enforcement and judicial action.[1] Synergistic links connect various forms of contraband trafficking; smugglers use the same routes for many forms of trafficking, following paths of least resistance, where corruption and lax law enforcement prevail.

The continued presence of transnational crime in Burma and the illicit trafficking routes across Burma's borders share many features of so-called "ungoverned spaces"—regions of the world where governments have difficulty establishing control or are complicit in the corruption of the rule of law.[2] Among the commonalities that Burma's border regions share with other ungoverned spaces is physical terrain that is difficult to control. Burma's long borders, through which much smuggled contraband passes, stretch across vast trackless hills and mountains that are poorly patrolled. In addition, continuing ethnic tensions with some ethnic armed rebel groups hamper government control in some regions of the country, which is another common feature of ungoverned spaces. Recent cease-fire agreements in other border regions have not markedly improved the situation; instead, these cease-fires have provided groups known for their activity in transnational crime with near autonomy, essentially placing these areas beyond the reach of Burmese law.

Congress has long been active in U.S. policy toward Burma for a variety of reasons, including on issues related to transnational crime. Because the State Department lists Burma as a major drug-producing state, the country is barred access from U.S. foreign assistance under several long-standing legislative provisions.[3] Congress also authorizes sanctions against countries that the State Department deems in non-compliance with the minimum standards for the elimination of trafficking in persons, which includes Burma.[4]

The 110th Congress sought to strengthen unilateral sanctions against Burma. In response to the Burmese government's forced suppression of anti-regime protests in August and September of 2007, as well as its internationally criticized humanitarian response to destruction resulting from tropical cyclone Nargis in May 2008, Congress passed P.L. 110-286, the Tom Lantos Block Burmese JADE Act of 2008 (signed by the President on July 29, 2008). This law imposes further

[1] See discussion on "Official Corruption."

[2] For example, the 2006 *National Security Strategy of the United States* (at http://www.whitehouse.gov/nsc/nss.html) identifies addressing ungoverned areas as among U.S. national security priorities because of concern that they could be used as safe havens for terrorists. See also Angel Rabasa et al., *Ungoverned Territories: Understanding and Reducing Terrorism Risks* (Santa Monica, CA: Rand Corporation, 2007).

[3] Laws under which drug-related sanctions are authorized include Section 489(a)(1) of the Foreign Assistance Act of 1961 (P.L. 87-195), as amended (22 U.S.C. 2291j(a)(1)); the Narcotics Control Trade Act (P.L. 99-570), as amended (19 U.S.C. 2491 et seq.); and Section 138 of Title I, Subtitle D, of the Customs and Trade Act of 1990 (P.L. 101-382).

[4] Pursuant to the Victims of Trafficking and Violence Protection Act of 2000 (P.L. 106-386), as amended.

sanctions on SPDC officials and prohibits the indirect import of Burmese gems, among other actions. H.Rept. 110-418, which accompanies H.R. 3890, also cites "Burma's rampant drug trade" and "its role as a source for international trafficking in persons and illicit goods" as additional reasons for these new sanctions.

The 111th Congress may choose to continue its interest in oversight of U.S. policy toward Burma, including the country's role in criminal activity. Secretary of State Hillary Clinton announced in February 2009 the beginning of a review of U.S.-Burma relations. In September 2009, the conclusions of this policy review were released, noting in particular the beginning of direct dialogue with Burmese authorities on international crime-related issues, including compliance with U.N. arms sanctions and counternarcotics. Already in the first session of the 111th Congress, both the Senate and the House have held hearings in which crime issues related to Burma have been addressed.

Primary Actors and Motives

Organized Crime, Ethnic Gangs, and Insurgent Groups

The United Wa State Army (UWSA), Shan State Army-South (SSA-S), Shan State Army-North (SSA-N), Democratic Karen Buddhist Army (DBKA), ethnic Chinese criminal groups (including the Triads), and other armed groups have criminal networks that stretch from India to Malaysia and up into China. Many of the transnational criminal elements along Burma's border are linked to past or ongoing ethnic insurgencies. While not necessarily a threat to SPDC control, they continue to constitute a transnational security threat for Burma and the region. The State Department states that the UWSA is the largest of the organized criminal groups in the region and operates freely along the China and Thailand borders, controlling much of the Shan State with a militia estimated to have 16,000 to 20,000 members.[5] Other criminal groups, including the 14K Triad, reportedly operate in the north of the country and in major population centers.[6] According to the Economist Intelligence Unit (EIU), these criminal organizations remain nearly immune from SPDC interference, because of widespread collusion with junta military, police, and political officials.[7] Many analysts agree that much of this apparent collusion is part of concerted SPDC efforts to coopt ethnic groups and avoid hostilities with them. One possible consequence of this policy is that the influence of organized crime in Burma and the region could remain virtually impossible to reduce.

Official Corruption

The U.S. State Department and other observers indicate that corruption is common among the bureaucracy and military in Burma. Burmese officials, especially army and police personnel in the border areas, are widely believed to be involved in the smuggling of goods and drugs, money

[5] U.S. Department of State, *International Narcotics Control Strategy Report*, vol. 1 (2008).

[6] Jane's Sentinel Security Assessment: Southeast Asia, April 30, 2008; Antonio Nicaso and Lee Lamothe, *Angels, Mobsters, and Narco-Terrorists: The Rising Menace of Global Criminal Enterprises* (Ontario, Canada: John Wiley & Sons, 2005).

[7] Economist Intelligence Unit, *Myanmar (Burma) Country Profile* (2006).

laundering, and corruption.[8] Burma has no laws on record specifically related to corruption and has signed but not ratified the U.N. Convention against Corruption. The 2006 EIU country report on Burma states that "corruption and cronyism" are widespread "throughout all levels of the government, the military, the bureaucracy and business communities." Burma is reported to be the third-most corrupt country in the world according to Transparency International's 2009 *Corruption Perceptions Index*, after Somalia and Afghanistan.[9] In addition, the State Department states that Burma's weak implementation of anti-money laundering controls remains at the root of the continued use by narcotics traffickers and other criminal elements of Burmese financial institutions.[10] Burma has signed, but not ratified, the United Nations Convention against Corruption, which entered into force in December 2005.

Although there is little direct evidence of top-level regime members' involvement in trafficking-related corruption, there is evidence that high-level officials and Burmese military officers have benefitted financially from the earnings of transnational crime organizations. In the case of the drug trade, reports indicate Burmese military officials at various levels have several means to gain substantial shares of narcotics trafficking earnings. Some reports indicate that the Burmese armed forces, or *Tatmadaw*, may be directly involved in opium poppy cultivation in Burma's Shan state. Some local Tatmadaw units and their families reportedly work the poppy fields and collect high taxes from the traffickers, as well as fees for military protection and transportation assistance.[11] According to the State Department, Burma has not indicted any military official above the rank of colonel for drug-related corruption.[12]

The SPDC also reportedly allows and encourages traffickers to invest in an array of domestic businesses, including infrastructure and transportation enterprises, receiving start-up fees and taxes from these enterprises in the process. The traffickers usually deposit the earnings from these enterprises into banks controlled by the military, and military officers reportedly deposit much of their crime-related money in foreign bank accounts in places like Bangkok and Singapore.[13] In 2003, the Secretary of the Treasury reported that some Burmese financial institutions were controlled by, or used to facilitate money laundering for, organized drug trafficking organizations.[14] In the same report, the Secretary of the Treasury also stated that Burmese government officials were suspected of being involved in the counterfeiting of U.S. currency.

---

[8] U.S. Department of State, *International Narcotics Control Strategy Report*, vols. 1 and 2 (2008); Jane's Sentinel Security Assessment: Southeast Asia, April 30, 2008, *op cit.*; Economist Intelligence Unit, *op cit.*; Transparency International, *Corruption Perceptions Index* (2007). According to some analysts, corruption among police and border patrol officials in Burma's neighboring countries also eases the flow of trafficked goods out of Burma. See also Nora Boustany, "Burmese Activist Urges Stronger U.S. Sanctions," *The Washington Post*, November 2, 2007. In this news article, Maung Maung, secretary general of the National Council of the Union of Burma, stated that "the country's revenue from gas, rubies, teak, timber, rice, gas, uranium, and diamonds is being pilfered for the personal enrichment of junta members or their families."

[9] Transparency International, *Corruption Perceptions Index* (2009).

[10] 2008 *International Narcotics Control Strategy Report*, vol. 1, *op cit.*

[11] Michael Black and Anthony Davis, "Wa and Peace: The UWSA and Tensions in Myanmar," *Jane's Intelligence Review*, March 2008.

[12] 2008 *International Narcotics Control Strategy Report*, vol. 1, *op cit.*

[13] See CRS Report RL33479, *Burma-U.S. Relations*, by Larry A. Niksch; Christopher S. Wren, "Road to Riches Starts in the Golden Triangle," *New York Times*, May 5, 1998; Robert S. Gelbard, "Slorc's Drug Links," *Far Eastern Economic Review*, November 21, 1996; Anthony Davis, "The Wa Challenge Regional Stability in Southeast Asia," *Jane's Intelligence Review*, January 2003.

[14] "Imposition of Special Measures against Burma as a Jurisdiction of Primary Money Laundering Concern," *Federal Register*, Vol. 68, No. 227, November 25, 2003.

Possible links between drug trafficking operations and official corruption have been raised recently in the context of SPDC reconstruction contracts in the aftermath of cyclone Nargis. Specifically, some reports have pointed to SPDC's reconstruction contract with Asia World Company Ltd., a firm managed by Steven Law (Tun Myint Naing), as a possible indication of continued links between drug traffickers and official corruption.[15] Steven Law, against whom the U.S. government has maintained financial sanctions since February 2008, allegedly provides material support to the Burmese junta, receives business concessions from the junta, facilitates the movement of illicit narcotics, and launders drug profits through his firms, including Asia World Company Ltd.[16]

Regional Demand

The most frequent destinations for much of Burmese contraband—opium, methamphetamine, illegal timber, endangered wildlife, and trafficked humans—are China and Thailand.[17] Other destinations include India, Laos, Bangladesh, Vietnam, Indonesia, Malaysia, Brunei Darussalam, South Korea, and Cambodia. Demand for Burma's contraband reaches beyond the region, including the United States. The U.S. Drug Enforcement Administration (DEA), for example, reports that Burmese-trafficked methamphetamine pills have been confiscated within the United States.[18] The United States is also reputed to be among the world's largest importers of illegal wildlife;[19] no concrete data exist, however, to link such transnational ties with Burma.

Peasants and Urban Poor

Ready recruits for organized crime activities can be found in both urban ghettos and impoverished rural areas.[20] According to the Asian Development Bank, 27% of Burma's population live below the poverty line, making the country one of the poorest in Southeast Asia. Many analysts state that peasant farmers, rural hunters, and other poor often serve at the base of Burma's international crime network, growing opium poppy crops, poaching exotic and endangered species in Burma's lush forests, and serving as couriers and mules for contraband. In addition, the State Department and other observers have found that many victims of transnational crime in Burma are the poor, becoming commodities themselves as they are trafficked to be child soldiers for the junta or slaves for sexual exploitation.[21]

---

[15] See for example Colin Freeman, "Burmese Drug Lord Lands Lucrative Reconstruction Contracts," *Edmonton Journal* (Alberta), May 25, 2008.

[16] U.S. Department of the Treasury, "Treasury Sanctions Additional Financial Operatives of the Burmese Regime," Press Release, February 25, 2008; U.S. Department of the Treasury, "Steven Law Financial Network," Report, February 2008; and "Key Financial Operatives of the Burmese Regime Designated by OFAC," World-Check, March 3, 2008.

[17] See United Nations Office on Drugs and Crime (UNODC), *World Drug Report* (2008); 2008 *International Narcotics Control Strategy Report*, *op cit.*; Global Witness, *A Choice for China: Ending the Destruction of Burma's Northern Frontier Forests* (2005); Jolene Lin, "Tackling Southeast Asia's Illegal Wildlife Trade," *Singapore Year Book of International Law*, vol. 9 (2005); and U.S. Department of State, *Trafficking in Persons Report* (2007).

[18] U.S. Drug Enforcement Administration, "Methamphetamine: The Current Threat in East Asia and the Pacific Rim," *Drug Intelligence Brief*, September 2003.

[19] U.S. Fish and Wildlife Service, Annual Report FY2006, August 2007; "Wildlife Smuggling Boom Plaguing L.A., Authorities Say," *National Geographic News*, July 26, 2007.

[20] Michael Lyman, *Organized Crime* (Upper Saddle River, NJ: Prentice Hall, 2007).

[21] 2007 *Trafficking in Persons Report*, *op cit.*

Illicit Economies in Burma

Drugs

Burma is party to all three major United Nations international drug control treaties—the 1961 Single Convention on Narcotic Drugs, as amended; the 1971 Convention on Psychotropic Substances; and the 1988 Convention against the Illicit Traffic in Narcotic Drugs and Psychotropic Substances. Burma's official strategy to combat drugs aims to end all production and trafficking of illegal drugs by 2014, a goal that parallels the region's ambition to be drug free by 2015.[22] Many analysts, however, consider the goal of achieving a drug-free Burma as unlikely. In September 2007, the Administration once again included Burma on the list of major drug transit or major illicit drug producing countries.[23] Located at the heart of the "Golden Triangle" of narcotics trafficking, Burma is among the world's top producers of opium, heroin, and methamphetamine.[24] Illicit narcotics reportedly generate between $1 billion and $2 billion annually in exports. In addition, Burma's drug trafficking activities appear to be linked to the recent spread of HIV and AIDS in the region, as drug users along Burma's trafficking routes share contaminated drug injection needles.

Some analysts warn that clashes between the government of Burma, rebel groups in the border areas of Burma, and neighboring countries could be possible. For example, should the SPDC begin to combat the drug trade more vigorously, current cease-fire groups may choose to break their agreements with the SPDC in order to protect their drug trade territories. Several cease-fire groups, including the UWSA, have chosen not to heed calls by the SPDC to disarm and reportedly use illicit drug proceeds to equip and maintain their paramilitary forces.[25] Beginning in June 2009 through at least late August 2009, the Burmese Army initiated a military campaign against several ethnic minority groups, including the Karen and the Kokang.[26] Thai counterdrug officials report a concurrent spike in heroin and methamphetamine sales in the region. It appears that various ethnic rebels are selling off their stockpiles of drugs in order to expand their weapons arsenals and prepare for the possibility of active conflict.[27]

Further, some suggest that the continued flow of illicit drugs from Burma to Thailand may be a source of tension between the two countries—especially in the face of Thailand's renewed war on drugs. The most recent campaign to combat illegal drugs, which began in April 2009, is a reprise of a 2003 campaign. Though media reports indicate that the current Thai war on drugs appears to

[22] Association of Southeast Asian Nations (ASEAN), "Cooperation on Drugs and Narcotics: Overview," at http://www.aseansec.org/5682.htm; 2008 *International Narcotics Control Strategy Report*, vol. 1, *op cit.*

[23] This annual list is required by section 706(1) of the Foreign Relations Authorization Act, Fiscal Year 2003 (P.L. 107-228).

[24] The "Golden Triangle" refers to an area of approximately 135,000 square miles of mountains that surround the Burma-Laos-Thailand border region. In the 1980s and 1990s, the Golden Triangle reigned as the world's largest producer of opium poppy.

[25] Jane's Sentinel Security Assessment: Southeast Asia, April 30, 2008, *op cit.* Note, however, that not all cease-fire groups are involved in the illegal drug trade.

[26] See for example, "U.S. Department of State, "Urging an End to the Violence in Eastern Burma," August 31, 2009.

[27] Thomas Fuller, "Crackdown Spurs a Heroin Clearance Sale in Southeast Asia," *New York Times*, October 1, 2009.

be more restrained than the 2003 version, which resulted in the deaths of several thousand people over a three-month period, human rights activists remain on alert.[28]

Heroin and Opium

Burma is the world's second-largest producer of illicit opium, behind Afghanistan. Further, the DEA reports that Burma accounts for 80% of all heroin produced in Southeast Asia and is a source of heroin for the United States.[29] Although poppy cultivation has declined significantly in the past decade, prices have increased significantly in recent years, reflecting ongoing demand despite production declines since a decade ago (see **Table 1**). Some suggest that future dynamics of the opiate market in Burma may be dependent on developments in other opium-producing regions, particularly Afghanistan, which replaced Burma as the primary opium producer in the world.[30] Much of the decline in recent years has been attributed to UWSA's 2005 public commitment to stop its activity in the opium and heroin markets, after prolonged international pressure to do so. However, recent reports suggest that the UWSA's self-imposed ban may be short-lived. The UWSA has reportedly warned that alternative livelihood sources will be necessary in order to sustain its ban against opium poppy cultivation—a point with which many international observers agree.[31]

Most analysts acknowledge that opium production in certain parts of Burma is one of the few viable means for small-scale peasant farmers to compensate for structural food security shortages. A 2009 United Nations Office on Drugs and Crime (UNODC) study supports this, finding that households in former poppy-growing villages were unable to find sufficient substitutes for their lost income from opium.[32] According to the same UNODC study, the average annual cash income of a household involved in opium poppy cultivation was approximately $700, while the annual income of a household not involved in opium poppy cultivation was approximately $750. In Burma's Shan State in 2009, known for its pockets of opium production, 28% of poppy growing households (versus 22% of non-poppy growing households) reported food insecurity due to a shortage of rice.[33] In the meantime, reports indicate that opium poppy production is shifting to areas controlled by other cease-fire ethnic groups, and to areas apparently administered by Burma's armed forces, the Tatmadaw, who tax the farmers and traders for a portion of the farmgate value.[34] The UWSA may also be organizing Wa poppy farmers to seasonally migrate to

[28] See for example, "Thai PM Launches New 'War on Drugs,'" *Agence France Presse*, March 19, 2008; Brian McCartan, "Despite Strong Rhetoric, Thailand's Latest Drug War a Restrained Campaign," *World Politics Review*, May 2008; Daniel Ten Kate, "Thailand to Restart War on Drugs," *Asia Sentinel*, March 2008.

[29] U.S. Drug Enforcement Administration, *Drugs of Abuse*, 2005, available at http://www.usdoj.gov/dea/pubs/abuse/doa-p.pdf.

[30] See for example testimony by Vanda Felbab Brown, "Threats from Transnational Drug Enterprises," House Oversight and Government Reform Committee, Subcommittee on National Security and Foreign Affairs, October 1, 2009.

[31] Tor Norling, "Haven or Hell," *The Irrawaddy*, July 11, 2008.

[32] UNODC, *World Drug Report* (2009); see also: Jane's Sentinel Security Assessment: Southeast Asia, April 30, 2008, *op cit.*

[33] UNODC, *Opium Poppy Cultivation in South-East Asia: Lao PDR, Myanmar* (December 2009).

[34] Black and Davis, *op cit.* See also: Central Intelligence Agency, *World Factbook* (2007); 2008 *International Narcotics Control Strategy Report*, vol. 1, *op cit.*

nearby provinces, where the UWSA did not commit to a ban, in order to continue their cultivation.[35]

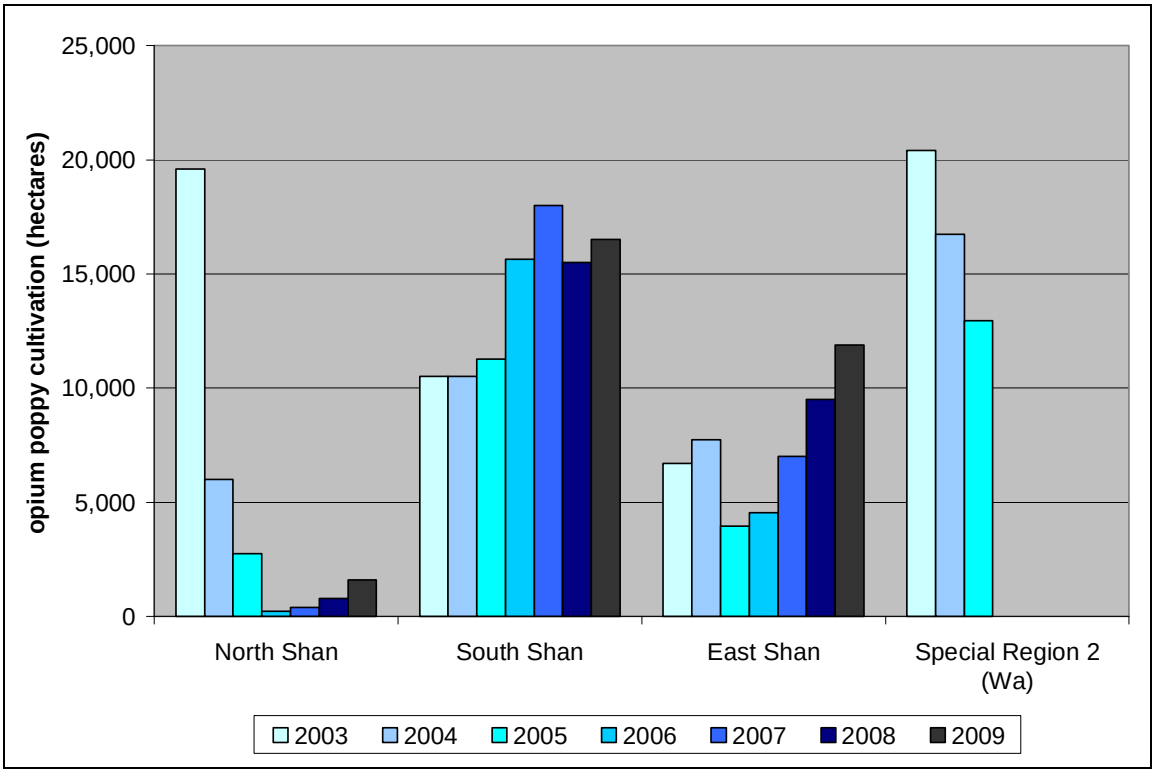
Table 1. Opium Cultivation, Production, and Price Trends in Burma, 1997-2009

Year	Opium Poppy Cultivation (hectares)	Significant Opium Poppy Eradication Reported (hectares)	Potential Opium Production (metric tons)	Total Potential Farm Gate Value of Opium Produced (U.S. constant dollars)
2009	31,700	4,087	330	$104 million
2008	28,500	4,820	410	$123 million
2007	27,700	3,598	460	$120 million
2006	21,500	3,970	315	$72 million
2005	32,800	3,907	312	$63 million
2004	44,200	2,820	370	$98 million
2003	62,200	7,469	810	$121 million
2002	81,400	9,317	828	$147 million
2001	105,000	1,643	1,097	$291 million
2000	108,700	9,824	1,087	$308 million
1999	89,500	3,172	895	$145 million
1998	130,300	3,093	1,303	$454 million
1997	155,150	1,938	1,676	$590 million

Source: CRS calculations based on United Nations Office on Drugs and Crime (UNODC), *World Drug Report*, 2004-2009; UNODC, *Opium Poppy Cultivation in South East Asia*, December 2008; and UNODC, *Global Illicit Drug Trends*, 2003-1999.

[35] Ibid.

Figure 1. Opium Poppy Cultivation in Burma's Shan State, 2003-2009



Source: UNODC, *Myanmar Opium Survey* (2007-2009).

Methamphetamine and Synthetic Drugs

In addition to producing heroin and opium, Burma is reportedly the largest producer of methamphetamine in the world and a significant producer of other synthetic drugs.[36] Methamphetamine is produced in small, mobile labs in insurgent-controlled border areas, mainly in eastern Burma (for export mainly to Thailand) and sometimes co-located with heroin refineries.[37] Burma's rise to prominence in the global synthetic drug trade is in part the consequence of UWSA's commitment to ban opium poppy cultivation. According to some, UWSA leadership may be intentionally replacing opium cultivation with the manufacturing and trafficking of amphetamine-type stimulants.[38] As a result, Burma has emerged as one of the world's largest producers of methamphetamine and other amphetamine-type stimulants. The State Department states that this sharp increase in methamphetamine trafficking is "threatening to turn the Golden Triangle into an 'Ice Triangle.'"[39]

A July 2008 media report indicates that international assistance for relief from the cyclone Nargis may have been used as a cover to smuggle illegal drugs into Burma. According to the *Irrawaddy*,

[36] U.S. Department of State, 2008 *International Narcotics Control Strategy Report*, vol. 1, *op cit.*; Jane's Sentinel Security Assessment: Southeast Asia, April 30, 2008, *op cit.*; and David Johnson, Assistant Secretary of State for International Narcotics and Law Enforcement Affairs, News Briefing, February 29, 2008.

[37] Jane's Sentinel Security Assessment: Southeast Asia, April 30, 2008, *op cit.*

[38] U.S. Department of State, 2008 *International Narcotics Control Strategy Report*, vol. 1, *op cit.*

[39] Ibid.

an independent Burmese newspaper, several customs officials were suspected of involvement in a scheme to smuggle ecstasy pills into Burma as part of shipments of relief aid from Burmese communities abroad.[40]

Trafficking in Persons and Child Soldiers

Burma is a party to the United Nations Convention against Transnational Organized Crime and its protocol on migrant smuggling and trafficking in persons. However, Burma has been designated as a "Tier 3" state in every Trafficking in Persons (TIP) Report ever published by the State Department. Tier 3 is the worst designation in the TIP Report, indicating that the country does not comply with minimum standards for combating human trafficking under the Trafficking Victims Protection Act of 2000, as amended (Division A of P.L. 106-386, 22 U.S.C. 7101, et seq.). As the TIP reports explain, laws to criminally prohibit sex and labor trafficking, as well as military recruitment of children, exist in Burma—and the penalties prescribed by these laws for those convicted of breaking these laws are "sufficiently stringent." Nevertheless, the State Department continues to report that these laws are arbitrarily enforced by the SPDC and that cases involving high-level officials or well-connected individuals are not fully investigated.

Victims are trafficked internally and regionally, and junta officials are directly involved in trafficking for forced labor and the unlawful conscription of child soldiers, according to several reports.[41] Women and girls, especially those of ethnic minority groups and those among the thousands of refugees along Burma's borders, are reportedly trafficked for sexual exploitation. Victims are reportedly trafficked from rural villages to urban centers and commerce nodes, such as truck stops, border towns, and mining and military camps.[42] One incident in early 2008 revealed the risks associated with migrant smuggling from Burma to Thailand, when 54 Burmese migrants were found dead in the back of a seafood truck headed to Thailand after the truck's air conditioning failed. Based on media accounts, 67 migrants survived, including at least 14 minors.[43]

In September 2009, the U.S. Department of Labor released a report and initial list of goods produced by child labor or forced labor. This is a congressionally mandated report, pursuant to the Trafficking Victims Protection Reauthorization Acts of 2005 and 2008, which required that the Department of Labor's Bureau of International Labor Affairs (DOL/ILAB) develop and publish a list of goods from countries in which ILAB had "reason to believe" were produced as a result of child or forced labor. Burma is listed among the 58 countries described in the ILAB report, with 14 separate production sectors implicated.[44]

[40] "Intelligence: Drug Scam Suspected," *The Irrawaddy*, July 2008.

[41] 2009 *Trafficking in Persons Report*; Sold to Be Soldiers: Human Rights Watch, *The Recruitment and Use of Child Soldiers in Burma*, October 2007. See also "Burma/Myanmar: After the Crackdown," *International Crisis Group,* Asia Report No. 144, January 31, 2008.

[42] 2007 *Trafficking in Persons Report*, p. 71.

[43] Kocha Olarn, "Myanmar Migrant Survivors Fined and Deported," *CNN,* April 12, 2008.

[44] The sectors included bamboo; green, soy, and yellow beans; bricks; jade; palm thatch; physic nuts/castor beans; rice; rubber; rubies; sesame; shrimp; sugarcane; sunflowers; and teak. See U.S. Department of Labor, *The Department of Labor's List of Goods Produced by Child Labor or Forced Labor*, September 10, 2009.

Natural Resources

Timber and Wildlife

Burma is rich in natural resources, including extensive forests, high biodiversity, and deposits of minerals and gemstones. Illegal trafficking of these resources is reportedly flowing to the same destination states and along the same trafficking routes as other forms of trafficking. Global Witness, a London-based non-governmental organization, estimates that 98% of Burma's timber exports to China, from 2001 to 2004, were illegally logged, amounting to an average of $200 million worth of illegal exports each year.[45] Many analysts also claim that the region's illegal timber trade is characterized by complex patronage and corruption systems.[46]

Wild Asiatic black bears, clouded leopards, Asian elephants, and a plethora of reptiles, turtles, and other unusual animals reportedly are sold in various forms—whole or in parts, stuffed, ground, or, sometimes, alive—in open-air markets in lawless border towns.[47] Growing demand in countries such as China and Thailand has increased regional prices for exotic wildlife; for example, a tiger's skin can be worth up to $20,000, according to media reports.[48] One report suggests that valuable wildlife is used as currency in exchange for drugs and in the laundering of other contraband proceeds.[49]

Gems

Rubies, sapphires, jade, and other gems have also been used as non-cash currency equivalents for transborder smuggling. The legal sale of Burmese gems is among the country's most significant foreign currency earners—$297 million during the 2006-2007 fiscal year, according to Burma's customs department; more may be traded through illicit channels.[50] Some observers claim that the junta is heavily involved in both the legal and illegal trade of gemstones, as the regime controls most mining operations and the sale of gems through official auctions and private sales reportedly arranged by senior military officers.[51] Congress has also accused the Burmese regime of attempting to evade U.S. sanctions against the import of Burmese gemstones by concealing the gems' origin from potential buyers.[52] Congress estimates that while 90% of the world's rubies originate from Burma, only 3% of those entering the United States are claimed to have originated there.

---

[45] Global Witness (2005), *op cit.*

[46] See, for example, Vaudine England, "The Mekong Connection in Illegal Log Trade," *Sunday Morning Post* (Hong Kong), March 23, 2008.

[47] Christopher Shepherd and Vincent Nijman, "An Assessment of Wildlife Trade at Mong La Market on the Myanmar-China Border," *TRAFFIC Bulletin*, vol. 21, no. 2 (2007).

[48] "Factbox: Why Are Asia's Endangered Animals So Sought After?" *Reuters News*, September 3, 2007.

[49] Lin, *op cit.*

[50] "Myanmar Rubies, Sapphires for Sale at Gems Fairs," *Reuters News*, October 19, 2006.

[51] See "Burma: Gem Trade Bolsters Military Regime, Fuels Atrocities," *Human Rights Watch*, November 12, 2007; "Burma and Blood Gems," Leber Jeweler, Inc., available at http://www.leberjeweler.com/stones/burma_bloodgems.php3.

[52] See P.L. 108-61; U.S. House of Representatives, Block Burmese JADE (Junta's Anti-Democratic Efforts) Act of 2007, H.Rept. 110-418, Part 1, October 31, 2007.

Other Contraband

AK-47s, B-40 rocket launchers, and other small arms are reportedly smuggled into Burma along the Thai-Burmese border. These weapons reportedly go to the Karen guerrillas, who continue to fight a decades-long insurgency against the Burmese junta. Another report implicates the Shan State Army in trafficking in military hardware.[53] Although analysts say it is unlikely that the ruling junta benefits from the criminal profits of small arms trafficking, reports indicate that the government distributes such weapons to its cadre of child soldiers.[54] Other less high-profile markets for contraband reportedly exist, including trafficking in cigarettes, cars, CDs, pornography, antiques, religious items, fertilizer, and counterfeit documents—many of which are believed to involve at least the complicity of some Burmese government officials.

In April 2008, Japan's public broadcaster NHK reported that Burma has been importing multiple-launch rockets from North Korea, raising international concerns and speculation about why Burma would seek out such weapons in violation of U.N. sanctions imposed on North Korea after its nuclear test in October 2006.[55] Some observers speculate that the Burmese military has been seeking to upgrade its artillery to improve the country's protection against potential external threats.[56] Burma and North Korea are thought to have been involved in conventional weapons trade in violation of U.N. sanctions since spring 2007, when North Korea and Burma resumed diplomatic relations with each other. Observers further claim that "Western intelligence officials have suspected for several years that the regime has had an interest in following the model of North Korea and achieving military autarky by developing ballistic missiles and nuclear weapons."[57]

Money Laundering

The State Department reports in 2008 that Burma is a money laundering risk because of its underdeveloped financial sector and large volume of informal trade. In 2001, the international Financial Action Task Force on Money Laundering (FATF) designated Burma as a Non-Cooperative Country or Territory (NCCT) for deficient anti-money laundering provisions and weak oversight of its banking sector.[58] A year later in 2002, the U.S. Department of Treasury's Financial Crimes Enforcement Network (FinCEN) issued an advisory to U.S. financial institutions to give enhanced scrutiny to any financial transaction related to Burma.[59] In 2003, two

[53] Eric Tagliacozzo, "Border Permeability and the State in Southeast Asia: Contraband and Regional Security," *Contemporary Southeast Asia*, vol. 23, no. 2 (2001).

[54] Human Rights Watch, *Small Arms and Human Rights: The Need for Global Action; A Human Rights Watch Briefing Paper for the U.N. Biennial Meeting on Small Arms* (2003).

[55] "N. Korea Exporting Multiple-Launch Rockets to Myanmar—Report," *CNBC*, April 2, 2008; "North Korea Sells Rocket Launchers to Myanmar—Report," *Reuters News*, April 3, 2008; and U.N. Security Council Resolution 1718 (2006).

[56] See for example "Oslo-Based Website: Burma's Purchase of North Korean Arms Threatens Stability," *BBC Monitoring Asia Pacific*, April 6, 2008; "Thai-Based Website: U.S. Concerned over Reports of North Korean Weapons to Burma," *BBC Monitoring Asia Pacific*, April 6, 2008.

[57] Michael Green and Derek Mitchell, "Asia's Forgotten Crisis: A New Approach to Burma," *Foreign Affairs*, November/December 2007, Vol. 86, Issue 6.

[58] Created in 1989, the Financial Action Task Force (FATF) is an inter-governmental body whose purpose is the development and promotion of national and international policies to combat money laundering and terrorist financing.

[59] See 31 CFR Part 103, Department of the Treasury, Financial Crimes Enforcement Network, Imposition of Special Measures against Burma.

of Burma's largest private banks—Myanmar Mayflower Bank and Asia Wealth Bank—were implicated by FATF as involved in laundering illicit narcotics proceeds and counterfeiting. The Secretary of the Treasury in 2003 listed Burma as a "major money laundering country of primary concern" and in 2004 imposed additional countermeasures.[60] Burma has since revoked the operating licenses of the two banks implicated in 2003. However, the U.S. government and international bodies, such as FATF, continue to monitor the widespread use of informal money transfer networks, sometimes also referred to as "hundi" or "hawala." Monies sent through these informal systems are usually legitimate remittances from relatives abroad. The lack of transparency and regulation of these money transfers remain issues of concern for the United States. In other parts of the world, hawala or hawala-like techniques have been used, or are suspected of being used, to launder proceeds derived from narcotics trafficking, terrorism, alien smuggling, and other criminal activities.[61]

U.S. Policy

Sanctions and Special Measures

Burma is subject to a broad sanctions regime that addresses issues of U.S. interest, which include democracy, human rights, and international crime.[62] Specifically in response to the extent of transnational crime occurring in Burma, the President has taken additional actions against the country under several different legislative authorities. Burma is listed as a major drug-producing state, and because of its insufficient effort to combat the narcotics trade, the country is barred access to some U.S. foreign assistance.[63] As an uncooperative, major drug-producing state, Burma is also subject to trade sanctions.[64] In 2005, the Department of Justice indicted eight Burmese individuals identified in 2003 by the U.S. Treasury's Office of Foreign Assets Control (OFAC) for their alleged role in drug trafficking and money laundering.[65] On November 13, 2008, OFAC named 26 individuals and 17 companies tied to Burma's Wei Hsueh Kang and the UWSA as Specially Designated Narcotics Traffickers pursuant to the Foreign Narcotics Kingpin Designation Act (21 U.S.C. 1901-1908).[66]

---

[60] Pursuant to 31 U.S.C. 5318A, as added by Section 311 of the USA PATRIOT Act (P.L. 107-56), these countermeasures prohibited U.S. banks from establishing or maintaining correspondent or payable-through accounts in the United States for or on behalf of Myanmar Mayflower and Asia Wealth Bank and, with narrow exceptions, for all other Burmese banks. See 2007 *International Narcotics Control Strategy Report*, vol. 2, *op cit.*

[61] Patrick M. Jost and Harjit S. Sandhu, *The Hawala Alternative Remittance System and its Role in Money Laundering* (Lyon, France: Interpol General Secretariat, 2000).

[62] Notable sanctions among those not specifically related to international crime include the Burmese Freedom and Democracy Act of 2003 (P.L. 108-61, extended by P.L. 108-272 and P.L. 109-39); Executive Order 13047, issued May 20, 1997, under Section 570 of the Foreign Appropriations Act, 1997 (P.L. 104-208); and Executive Order 13310, issued July 28, 2003, to implement P.L. 108-61 (the President announced additional modifications September 25 and 27, 2007). See also CRS Report RS22737, *Burma: Economic Sanctions*, by Larry A. Niksch and Martin A. Weiss.

[63] Pursuant to Section 489(a)(1) of the Foreign Assistance Act of 1961, as amended.

[64] Trade sanctions are pursuant to the Narcotics Control Trade Act (19 U.S.C. 2491-2495) and the Customs and Trade Act of 1990 (P.L. 101-382).

[65] The indictments were made using the Foreign Narcotics Kingpin Designation Act (21 U.S.C. 1901-1908). The indicted Burmese have yet to be arrested or brought to trial in the United States.

[66] U.S. Department of State, International Narcotics Control Strategy Report, Vol. 2, March 2009. Kang was designated by the President as a Foreign Narcotics Kingpin on June 1, 2000, and the UWSA on June 2, 2003.

Burma is characterized by the State Department's 2009 Trafficking in Persons report as a Tier 3 state engaged in the most severe forms of trafficking in persons; as such, Burma is subject to sanctions, barring the country from non-humanitarian, non-trade-related U.S. assistance and loss of U.S. support for loans from international financial institutions.[67] As a major money laundering country—defined by Section 481(e)(7) of the Foreign Assistance Act of 1961, as amended, as one "whose financial institutions engage in currency transactions including significant amounts of proceeds from international narcotics trafficking"—Burma is subject to several "special measures" to regulate and monitor financial flows. These include Department of Treasury advisories for enhanced scrutiny over financial transactions, as well as five special measures listed under 31 U.S.C. 5318A.[68] The United States does not apply sanctions against Burma in specific response to its activity in other illicit trades, including wildlife.[69] The Block Burmese JADE (Junta's Anti-Democratic Efforts) Act of 2007 (H.R. 3890), however, would prohibit the importation of gems and hardwoods from Burma, among other restrictions.[70]

After more than a decade of applying sanctions against Burma, however, many analysts have concluded that the sanctions have done little to change the situation. The effectiveness of U.S. sanctions is limited by several factors.[71] These include (1) unevenly applied sanctions against Burma by other countries and international organizations, including the European Union and Japan; (2) a booming natural gas production and export industry that provides the SPDC with significant revenue; (3) continued unwillingness of Burma's fellow members in the Association of Southeast Asian Nations (ASEAN) to impose economic sanctions against Burma; (4) Burma's historical isolation from the global economy; and (5) China's continued economic and military assistance to Burma. In addition, some analysts suggest that sanctions are, in part, culpable for the flourishing black markets in Burma, including trafficking in humans, gems, and drugs, because legal exports are barred.[72] Several analysts indicate that many Burmese women who lost their jobs in the textile industry as a result of Western sanctions are among the victims of trafficking for sexual exploitation.[73]

Regional Border Control Assistance

The United States is assisting neighboring countries with stemming the flow of trafficked contraband from Burma into their territories. Although most U.S. assistance to combat

[67] Sanctions are pursuant to the Victims of Trafficking and Violence Protection Act of 2000 (P.L. 106-386). The decision to apply sanctions under P.L. 106-386 is left to presidential discretion.

[68] These include (1) record-keeping and reporting of certain financial transactions, (2) collection of information relating to beneficial ownership, (3) collection of information relating to certain payable-through accounts, (4) collection of information relating to certain correspondent accounts, and (5) prohibition or conditions on the opening or maintaining of correspondent or payable-through accounts for a foreign financial institution. See Douglas N. Greenburg, John Roth, and Katherine A. Sawyer, "Special Measures under Section 311 of the USA PATRIOT Act," *The Review of Banking and Financial Services*, vol. 23, no. 6, June 2007.

[69] Notably, President Bill Clinton in 1994 used the 1971 Pelly Amendment to the Fishermen's Protective Act of 1967, as amended (22 U.S.C. 1978), as a means by which to impose sanctions against Taiwan for its alleged insufficient progress toward eliminating the country's illegal trade in rhino and tiger parts and products. The sanction temporarily banned the importation of certain fish and wildlife products from Taiwan.

[70] Last major action to H.R. 3890: passed Senate with an amendment and an amendment to the Title on December 19, 2007.

[71] See CRS Report RL33479, *Burma-U.S. Relations*, *op cit*.

[72] Fareed Zakaria, "Sleepwalking to Sanctions, Again," *Newsweek*, October 15, 2007.

[73] See, for example, "U.S. Sanctions 'Hit Burma Hard,'" *BBC News*, October 3, 2003.

transnational crime in Burma remains in suspension, the United States is working to train law enforcement and border control officials in neighboring countries through anti-crime assistance programs.[74] Currently, the bulk of funding to Burma's neighbors remains concentrated in counter-narcotics and anti-human trafficking projects; no funding is allocated to the State Department for combating "organized and gang-related crime" in the region. Overall funding to combat trafficking has been in decline for several years; the Administration's FY2008 appropriations request for Foreign Operations in the region represents a 24.2% decrease from FY2006 actual funding.

A New Approach?

Despite Burma's recent progress in reducing opium poppy cultivation, most experts believe U.S. policies have not yielded substantial leverage in combating transnational crime emanating from Burma. In light of the most recent displays of junta violence against political demonstrators in September 2007, however, there are indications of increasing political interest in re-evaluating U.S. policy toward Burma. Among the considerations that policy makers have recently raised are (1) whether the United States should increase the amount of humanitarian aid sent to Burma; (2) what role ASEAN and other multilateral vehicles for dialogue could play in increasing political pressure on the junta regime; (3) what role the United States sees India, as the world's largest democracy and Burma's neighbor, playing in ensuring that Burma does not become a source of regional instability; and (4) how the United States can further work with China and Thailand, as the largest destinations of trafficked goods from Burma, to address transnational crime along Burma's borders.

[74] Under authorities granted in Section 2291 of the Foreign Assistance Act of 1961, as amended, the State Department is responsible for coordinating foreign assistance and law enforcement training for counter-narcotics and anti-crime programming. According to the Administration's FY2008 Foreign Operations Budget Justification, such programs exist in four of Burma's neighbors: Thailand, Laos, India, and Bangladesh.

Figure 2. Map of Burma



Source: Map Resources. Adapted by CRS.

Author Contact Information

Liana Sun Wyler
Analyst in International Crime and Narcotics
lwyler@crs.loc.gov, 7-6177